

EQUITY CREDIT UNION INC.
INTERNAL AUDIT PROGRAM
2024

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Program #1 – Corporate Governance

- Review Board minutes for proper reporting of monthly activity including board resolutions, liquidity calculations, interest rate risk management, delinquency control, together with financial and loan reports.
- Review the external auditor’s management letter and any FSRA examination report recommendations to ensure proper compliance and implementation.
- Review the most recent ERM and potential risk areas identified by management and board to ensure they cover internal and external risks. Ensure mitigating controls are in place for all risks and that residual risk is within tolerance levels.
- Review policies and procedures for adequacy and compliance with operational and regulatory requirements.
- Ensure board management policies have been reviewed on an annual basis as noted in the policies and/or minutes.
- Review documentation on Code of Conduct rules and regulations.
- Directors, committee members and staff signed a conflict of interest statement.
- Directors, committee members and staff signed an oath of secrecy and fidelity statement.
- Ensure proper board and committee self-assessments have been completed.
- Ensure adequate and regular performance reviews are completed on management and staff.
- Review director training on the core competencies and that a self-assessment is completed annually to ensure compliance with FSRA guidance note.

Program #2 – Credit Management

- Perform a sample review of newly issued personal, commercial, line-of-credit, residential mortgages and HELOC accounts ensuring accurate completion of documentation, adequate security, and credit investigation in relation to Board policy.

- Review the Loan Officer's monthly report ensuring that proper details are provided to the Board of Directors related to any amounts more than lending license limits, loans issued or denied, security pledged as well as details on impaired loans.
- Review the framework for lending in relation to the requirements under FSRA interpretation guidance note on mortgage loans.
- Review proper controls in the granting and issuing of loan proceeds.
- Review loan and mortgage documentation to ensure it is completed in accordance with the Act, Regulations and FSRA guidance notes, rules and sound business practices.
- Review credit risk management policies and procedures for adequacy to the current lending practices and FSRA guidance notes.
- Review of the recovery plan to ensure it is maintained and updated where deemed necessary.

Program #3 – Cash, Bank & Corporate Supplies, Expenses and Dormant Accounts

- Review cash and treasury controls in relation to those specified in policy and procedures.
- Complete surprise cash count on treasury and teller cash and verify internal cash counts are performed regularly.
- Verify and balance corporate supplies (i.e., money orders, traveler's cheques, etc.) to inventory logs.
- Review on random sample basis corporate cheques received through the clearing to ensure proper signing authority, body and figures, limits and posted amounts.
- Complete a review of ATM/PIN card security controls where applicable and make the necessary recommendations.
- Review internal account reconciliations (i.e., Canadian and U.S. current account reconciliations) to ensure they balance and that there are no inappropriate or unusual amounts.
- Review recent activity on inactive and dormant accounts for proper authorization.
- Ensure dormant account activity is being reviewed by staff for compliance with policy and procedures.
- Verify sample corporate general ledger expense accounts to source documents.
- Ensure members are notified of the status of their account when identified as dormant.

- Review director and staff accounts for any unusual or suspicious activity.

Program #4 – Money Laundering Compliance Review

- Compliance review (AML/ATF) policies and procedures.
- Interview of staff and supervisors to determine the extent of their knowledge of legislation and of the Credit Union's policies and procedures.
- Test a sample of large cash transactions and reports for timeliness.
- Review international wire transfers for accuracy and reporting to FINTRAC.
- Review any suspicious transactions and report to FINTRAC.
- Review listing of high-risk members to ensure an enhanced due diligence is completed.
- Evaluating criteria and the process for identifying and reporting suspicious transactions.
- Testing the validity and reasonableness of any exceptions to the reporting process.
- Testing the record keeping system for compliance.
- Review activity related to dormant and inactive accounts over a twelve-month period to ensure transactions were properly authorized.
- Review the staff and management training program in place regarding AML and ATF compliance.

Program #5 – Risk Management - Capital, Liquidity, Market and Structural Risk Management

- Review of enterprise risk management report as to the high-risk areas identified by management and the board.
- Ensure capital, market risk, liquidity and structural risk management policies are adequate, and the Credit Union complies with the ACT, regulations, FSRA guidance notes and sound business practices.
- Review operational risk policies to ensure proper internal controls are put in place and monitored by staff and management.
- Ensure proper preparation and reporting of financial reports to the Board of Directors.

- Verify and balance investments to the general ledger control accounts to ensure they are properly recorded and in compliance with policy and regulatory restrictions.
- Verify the reporting of investment and liquidity balances to the Board of Directors monthly.
- Review accruals on investment accounts for reasonability.
- Review proper authorizations and letters of authority granted in the approval of investments and loans.
- Ensure management is calculating and reporting the liquidity coverage ratio (LCR) based on stressed out cash flows.
- Review short and long-term interest rate risk management practices for proper compliance with policy, regulations and FSRA guidance interpretation guidance notes.

Program #6 – Asset Quality & Impaired Loans

- Review loan trial balance for unusual or inappropriate amounts (i.e., interest rate, accrued interest, next payment dates, delinquency payments etc.)
- Review watch list accounts for proper valuation of security and follow up action to be taken.
- Review adequacy of the specific allowance for impaired loans in relation to the requirements under FSRA By-Law #6.
- Review unauthorized overdrafts for possible delinquency.
- Ensure the credit union is calculating the allowance based on IFRS 9 and is in balance with the general ledger provision.
- Review the methodology used in the calculation of the allowance for doubtful loans.
- Review investments for possible high risk and potential for loss.